

Message Text

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ACTION EB-11

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INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-15 AID-20 CEA-02 COME-00 EA-11 FRB-02 IO-13

NEA-10 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

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SUBJECT: PARTIAL NATIONALIZATION CONOCO, AMERADA, AND
MARATHON INTERESTS IN LIBYA

REF: STATE 163924

1. IN ADDITION TO POINTS NOTED REFTTEL, THESE OASIS
PARTNERS' AGREEMENT WITH LARG DIFFERS FROM THE OCCIDENTAL
AGREEMENT IN THE FOLLOWING RESPECTS:

A) OASIS MUST SWALLOW A MANAGEMENT COMMITTEE
BESIDES THE JOINT LIBYAN-OASIS THREE-MAN BOARD OF
DIRECTORS. THE FORMER WILL OVERSEE DAY-TO-DAY OASIS
OPERATIONS.

B) OASIS IS COMMITTED TO MAINTAIN THREE DRILLING
RIGS AND ONE SEISMIC CREW IN OPERATION THROUGH THE
END OF 1975. (THEY HAVE BEEN MAINTAINING ONLY ONE
RIG RECENTLY.)

C) THE OASIS AGREEMENT CALLS FOR THE CREATION OF A
LIBYAN STOCK COMPANY TO REPLACE THE CURRENT
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DELAWARE-REGISTERED OASIS GROUP BY 1975. (SINCE

OASIS IS A NON-PROFIT CORPORATION ACTING AS AN OPERATOR FOR THE OWNER COMPANIES, ITS PLACE OF INCORPORATION MAKES LITTLE ECONOMIC DIFFERENCE.)

2. MINPET MABRUK ALSO STATED ON AUGUST 18 THAT OASIS WOULD BE COMPLETELY LIBYANIZED BY 1978. IT IS NOT CLEAR WHETHER OR NOT THIS IS IN THE AGREEMENT. (OASIS PARTNERS HAVE NOT SHOWN THE AGREEMENT TO OTHER COMPANIES.)

3. DISCUSSIONS WITH OASIS MANAGERS HERE INDICATE THE ONLY CLAUSES IN THE AGREEMENT WHICH IN ANY WAY PROVIDE PROTECTION FOR COMPANY INTERESTS ARE THE "SOLE RISK CLAUSE" WHICH PERMITS THE COMPANIES TO DECLINE PARTICIPATION IN PROJECTS WHICH THEY FEEL ARE NOT COMMERCIALY JUSTIFIED AND AN "OVERLIFT/UNDERLIFT" CLAUSE WHICH PREVENTS EITHER PARTY FROM CUTTING BACK MORE THAN TEN PER CENT OF THE OTHERS' LIFTINGS TO MAKE UP FOR UNDERLIFTINGS IN THE PAST. IN ESSENCE, THIS LATTER CLAUSE PROTECTS THE COMPANIES FROM THE SITUATION WHICH NELSON BUNKER HUNT FACED WHEN ARAB GULF CUT OFF BUNKERHUNT PRODUCTION IN LATE MAY ON THE GROUNDS THAT ARAB GULF HAD THE RIGHT TO ALL SARIR PRODUCTION UNTIL ARAB GULF LIFTINGS EQUALLED LIFTINGS OF BUNKER HUNT FOR THE PERIOD FROM DECEMBER 1971 UNTIL LATE MAY 1973.

4. EMBOFF CALLED ON LOCAL CONOCO PRESIDENT AUG 19 AND AGAIN ON 20TH AND FOUND HIM ALREADY EMBROILED IN DISPUTE WITH LARG INVENTORY/AUDITING COMMITTEES. THE SPECIFIC CASE IN DISPUTE INVOLVED THE LIBYAN'S DESIRE TO INCLUDE THE ASSETS OF CONOCO'S TRIPOLI OFFICE WITH THOSE OF OASIS, DESPITE A CLEAR CLAUSE IN THE AGREEMENT WHICH EXEMPTED SOLELY PARENT-COMPANY ASSETS SUCH AS THE CONOCO OFFICE FROM LARG PARTICIPATION. THE CONOCO PRESIDENT MANAGED TO OBTAIN TEMPORARY RELIEF FROM THE INVENTORY COMMITTEES BY A LATE-NIGHT TELEPHONE CALL TO THE UNDERSECRETARY OF THE MINISTRY OF PETROLEUM. HOWEVER, HE EXPECTS THAT THE AGREEMENT WILL CONTINUE TO BE IMPLEMENTED SO THAT, TO QUOTE HIM: "ALL PROVISIONS WHICH LEAVE ROOM FOR INTERPRETATION LIMITED OFFICIAL USE

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WILL BE INTERPRETED TO MAXIMUM LIBYAN BENEFIT AND COMPANY DISADVANTAGE, WHILE MOST PROVISIONS WHICH LEAVE NO ROOM FOR INTERPRETATION WILL BE TWISTED AND MISAPPLIED TO MAXIMUM LIBYAN BENEFIT AND COMPANY DISADVANTAGE."

5. THE LIBYAN MEMBERS OF THE BOARD OF DIRECTORS AND/OR MANAGEMENT COMMITTEE ARRIVED AT OASIS AUG 19.

THEY ARE HEADED BY IBRAHIM HAWASHI, UNTIL VERY
RECENTLY ESSOS BEST LIBYAN GEOLOGIST AND SENIOR
LIBYAN AT MARSA BREGA. NEITHER THE MINISTRY OF
PETROLEUM NOR THE NATIONAL OIL COMPANY HAS PROVIDED
OASIS WITH ANY GUIDELINES AS TO HAWASHI'S CHARTER.
HAWASHI HAS SIMPLY STATED THAT HE IS THE CHAIRMAN
OF BOTH THE BOARD AND THE MANAGEMENT COMMITTEE AND
THAT HE WILL NOW CARRY OUT THE RESPONSIBILITIES OF
BOTH OFFICES. HIS FIRST ACTION WAS TO BEGIN MOVING
INTO OASIS CHAIRMAN SWALES' OFFICE. HIS NEXT MOVES
ARE AWAITED WITH INTEREST.
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